

STIPULATION

The Utah Division of Oil, Gas and Mining ("the Division"), and Montezuma Well Services, Inc./Earl Martinez ("Montezuma") agrees as follows.

1. Montezuma is the operator (eff. September 1, 1992) of an Exploration and Production ("E & P") waste disposal facility ("the Facility") located east of Blanding, Utah; the Facility consists of three evaporative pit's ("Pit's A, B, & C), and a Land Farm/Cell's 1-6 ("the Land Farm") that was permitted for the clean-up of Pit A; Pit A contains E & P solid & semi-solid waste material ("the material").

2. There is pending before the Utah Board of Oil, Gas and Mining ("the Board") a formal adjudication filed by the Division seeking an order from the Board to compel Montezuma to comply with a Division Order dated May 7, 2008 (Division Order attached as Exhibit A), or in the alternative authorizing the Division to take any necessary action to reclaim the Facility and recover the costs of clean-up from Montezuma including taking legal action to pursue civil penalties against Montezuma.

3. Montezuma has made good faith efforts to comply with the Divisions' requests but has failed to meet scheduled deadlines, and has failed to complete the clean-up of Pit A.

4. In order to facilitate continued clean-up efforts by Montezuma and without waiving any of the requirements of the Division Order or the right to seek the full relief as requested from the Board, the Division and Montezuma propose the following plan for future remediation of the Facility subject to the Boards' approval.

- a. Montezuma will immediately accelerate the work on the Land Farm by:
 - (i) Providing dedicated equipment and employees to work at the Land Farm and provide for tilling of the material in the Land Farm at least weekly as weather permits;
 - (ii) Coordinating with the Division to establish methods, procedures and practices that maximize the efficiency and effectiveness of the Land Farm toward cleaning the material to meet Division standards and allow for additional material to be placed in the Land Farm.
- b. Montezuma will be permitted to accept shipments of E & P waste water from oil field operations into Pit B in an amount up to 50 % of the depth of the pit (4' deep), provided Montezuma meets the following conditions:
 - (i) Montezuma will pay into an existing Cash/Business Savings Account (Wells Fargo Bank, No. 0361028509, eff. January 12, 1999) established with the Division, a sum of not less than \$0.25 per barrel of E & P waste water received into Pit B to be held as part of the required bond for reclamation of the Facility with payment due within 10 days of the end of each month;
 - (ii) Montezuma will immediately accelerate the removal of the material from Pit A to the Land Farm and will fill the Land Farm to its' maximum capacity within 60 days following commencement/acceptance of E & P waste water into

Pit B, and thereafter will continue to remove the material from Pit A to the Land Farm to the full extent of its' capacity as determined by the Division.

(iii) The right to accept E & P waste water for disposal into Pit B will be dependent upon the continuing operation of the Land Farm as required by part 4(a) of this Stipulation.

(iv) Upon construction of the Facility "secondary containment" structure approved by the Division, Montezuma may continue to accept E & P waste water into Pit B up to the approved capacity of the pit (82,058 barrels) subject to the continued compliance with the other provisions of this Stipulation.

(c) Montezuma will provide monthly reports no later than the tenth day of each month outlining the amount of material removed from Pit A to the Land Farm, Land Farm tilling dates, Land Farm soils testing dates and provide copies of testing results, volume of E & P waste water received into Pit B and provide a deposit slip of the amount paid into the existing Wells Fargo Bank, Cash/Business Savings Account No. 0361028509, and any other information as required by the Division to evaluate the success of the clean-up operation and compliance with this stipulation.

(d) The Division will increase the amount of oversight and inspections of the Facility as well as work with Montezuma to provide technical assistance as needed.

5. So long as Montezuma complies with the requirements of paragraph 4 above, the Divisions' Request for Agency Action, Docket No. 2009-015, Cause No. WD-04-2009, filed with the Board July 13, 2009 (Request for Agency Action attached as Exhibit B) will be continued for one year. At the end of the year, the Board will review the progress of Montezuma toward compliance with the Division Order and this Stipulation.

6. This agreement does not modify the requirement for Montezuma to comply with the full requirements of the Division Order including the requirement to provide new lining and full bonding prior to the re-use of Pit's A & C.

Montezuma Well Services, Inc.
Earl Martinez, President

Date

Division of Oil, Gas, and Mining
Dustin Doucet, Acting Associate Director, Oil & Gas

Date